



## A strategic analysis of collective urban transport in Spain using the Five Forces Model

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### ABSTRACT

The transport sector in Spain is a branch of economic activity which is already of great importance according to its own invoicing, value added and occupation figures, in addition to its indirect economic effects. It has an additional strategic value for economic policy, since it constitutes a fundamental part of the cost of placing products on increasing markets in a competitive manner. The mobility and transportation of passengers in cities in turn plays an essential role in the economic and social activity. All of these reasons, in addition to the recent significant problems of sustainability which this priority sector is currently confronting in all aspects, justify an interest in a study which attempts to obtain a profile of this public service by using a strategic analysis through the application of the traditional Porter Five Forces Model. The application of this model will allow us to obtain a general strategic vision which, when combined with a maturity analysis, will provide a more in-depth knowledge of the object under study, that will serve as a basis for subsequent analyses of the collective urban public transport service.

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## Un análisis estratégico de transporte urbano colectivo en España usando el modelo de las Cinco Fuerzas

### RESUMEN

El sector del transporte en España es una rama de la actividad económica que tiene ya una gran importancia por sus propias cifras de facturación, valor añadido y ocupación, así como por sus efectos económicos indirectos. Tiene un valor estratégico añadido para la política económica por constituir una parte fundamental del coste de colocación de los productos de forma competitiva en mercados cada vez más amplios. A su vez, la movilidad y el transporte de viajeros en las ciudades tienen un papel esencial en la vertebración económica y social de estas. Todas estas razones, además de los recientes y significativos problemas de sostenibilidad que, desde todas sus vertientes, está teniendo hoy en día este sector prioritario, justifican el interés de este estudio que trata de obtener un perfil de este servicio público mediante un análisis estratégico del mismo, aplicando el modelo tradicional de las Cinco Fuerzas de Porter. La aplicación de este modelo nos permitirá obtener la visión estratégica general que, complementada con un análisis de madurez, facilitará un conocimiento más profundo del sector objeto de estudio que sirva de base para posteriores análisis sobre el servicio público del transporte urbano colectivo.

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### 1. Introduction: the transport sector in figures

Transport has become a strategic industry in an increasingly globalised economy and, in our opinion, its needs should be considered to a greater extent in political decision-making.

**Table 1**  
Passengers transported. Urban Transport. Thousands of passengers.

	Urban Transport	
	Buses	Metro
2008	1.915.697	1.217.808
2009	1.866.613	1.160.105
2010	1.842.409	1.179.929
2011	1.841.576	1.194.542

Source: Monthly Statistical Report. SNIS. February 2012.

According to the report “*El transporte en España, un sector estratégico*” (*Transport in Spain: a strategic sector*) (CETMO, 2005, pp. 7, 12 and 26), the transportation of passengers and goods in Spain is an economic sector of enormous and increasing importance whose function, which is vital to industry, business and people’s mobility, takes place in environments that are increasingly larger, congested and difficult to control. The evolution in the **number of passengers transported** over the last few years is shown in **Tables 1 and 2** and **Fig. 1**.

The greatest number of passengers is carried by urban transport, which supports its importance as over-land passenger transport. It will be observed that the number of passengers on all types of transport has decreased since 2008.

Finally, some European data that corroborate the importance of this sector are presented:

- With regard to European funds that are intended for Cooperation, transport was in third place in said programme in the period 2007–2013, behind only Health and ICTs:
- Urban transport is in third and fourth place as regards the funds provided by the European Investment Bank (from here on EIB) in 2006 and 2007.

## 2. Objectives, methodology and structure of work

### 2.1. Objectives

Through the numbers exhibited in the previous part, the big economic importance of the sector object of this study remains clear. Nevertheless, traditionally, it is processed as a “closed enough” sector in which few changes were taking place. In this context, the uncertainty that exists in Spain with the future of urban public transport, in contrast with the managerial movements that are taking place and that demonstrate the interest of companies, foreign to the sector until now, have focused our interest to realise a study in depth. Thereby, the target of this work centres on the explanations search on the future of the sector of the collective urban transport in our country, through a strategic analysis of the same one.

### 2.2. Methodology and structure of the work

The work presented carries out a strategic analysis of the urban public transport system by applying the classic Model proposed by Porter (2001),<sup>1</sup> known as the *Five Forces Model*. This model is used to measure the attractiveness of this industry as determined by the action of the five basic competitive forces (current and potential competitors, substitute products, customers and suppliers) in order to obtain a better understanding of the strategic decisions made in this sector.

In this study we have selected all the 145 municipalities of over 50,000 inhabitants,<sup>2</sup> in each of which we have identified the operating companies that offer the urban transport service. This information has been collected via a search process of the corresponding town/city councils’ Websites, in addition to using the sample data selected from, among other sources, the *Primer Informe Anual del Observatorio de Costes y Financiación del Transporte Urbano Colectivo 2008–2009* (First Annual Report of the Cost Observatory of Collective Public Transport 2008–2009) (Carrasco, 2011). The list obtained was completed with the data from a set of businesses belonging to the *Asociación de Empresas gestoras de los Transportes Urbanos Colectivos* (ATUC) (Association of Collective Urban Transport management Businesses), and with information obtained from the *Consortio Regional de Transportes de Madrid* (Madrid Regional Transport Consortium) and those of the principal transport groups operating in the sector (ALSA, AVANZA, RUIZ, CTSA and SUBÚS), the [www.regiondemurciatransporte.es](http://www.regiondemurciatransporte.es) website, the DBK study concerning the urban transport sector (2009) and the <http://www.tramvia.org> website, among others.

After the identification process and given their great variety and heterogeneity, we then went on to carry out a grouping according to the territory in which and population with which they operate, in order to understand which different groups or segments of companies have similar characteristics to facilitate the analysis of the intensity of competition, for instance. Then the segments defined are the following (Table 3): Municipalities with between 50,000 and 250,000 inhabitants; Municipalities with between 250,000 and 500,000 inhabitants; Municipalities with between 500,000 and 1,000,000 inhabitants; Municipalities with more than 1,000,000 inhabitants.

However, bearing in mind that the objective of our analysis is a specific sector within the Transport Sector, and that the *Porter Model* generally tends to be applied in the broad analysis of sectors, i.e., to a complete industry, we decided to apply the *Abell Model* beforehand. This model will help us to clearly define the aim of our analysis and to identify competitors and customers, obtaining as result, a more graphic vision of our object of study for the later application of the *Five Forces Model*.

Finally, we present in the fourth and last section, the conclusions and outstanding limitations extracted of this work (Figs. 2 and 3).

## 3. The Five Forces Model in the urban public transport service

### 3.1. Background

Numerous authors have used the *Five Forces Model* in the strategic study of specific sectors, among whom we can highlight Argyles and McGahan (2002), Cheetham (2011), Pines (2006) and Xue, Zhang and Liang (2001). This led us to believe that it would be interesting to carry out an analysis of this type in the urban passenger transport sector, with the objective of obtaining a full-scale strategic perspective of the service.

Previously, according to Abell (1980), the competitive environment can be defined in three dimensions:

- (1) *Groups of customers* towards whom the products or services are directed.
- (2) Functions that the product or service cover as regards these customers.

<sup>2</sup> Article 26.1.d of Law 7/1985, 2nd April, Local Government Regulatory Bases, establishes that the provision of a public transport service is obligatory in municipalities of over 50,000 inhabitants.

<sup>1</sup> Updated by Porter himself in 1985, 1991, 1996 and 2001.

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